

Tds Section 194 Divident Lecture-5

Certainly, here are short notes on TDS Section 194 related to dividend:

1. **Introduction:** Section 194 of the Income Tax Act, 1961, deals with the deduction of Tax Deducted at Source (TDS) on dividend payments.
2. **Applicability:** TDS under Section 194 applies to dividend payments made by companies, mutual funds, and other specified entities to resident individuals, Hindu Undivided Families (HUFs), and firms.
3. **TDS Rate:** The TDS rate under Section 194 for dividend payments to resident individuals, HUFs, and firms is 7.5% (plus applicable surcharge and cess) if the aggregate dividend exceeds ₹5,000 in a financial year.
4. **Nature of Dividend:** Dividends can be in the form of interim dividends, final dividends, or any other distribution by whatever name called. TDS is deducted at the time of credit or payment, whichever is earlier.
5. **Exemptions:** Dividend payments to certain entities like specified mutual funds or to resident shareholders holding shares in dematerialized form are exempt from TDS under specific conditions.
6. **Tax Residency:** Different TDS rates may apply to non-resident recipients of dividends under Section 195, depending on the provisions of Double Taxation Avoidance Agreements (DTAA) or the domestic tax laws.
7. **Threshold Limit:** TDS is applicable if the aggregate dividend payment exceeds ₹5,000 in a financial year. Recipients can submit Form 15G/15H to declare that their income is below the taxable limit.
8. **Compliance:** Payers of dividends are responsible for deducting TDS and depositing it with the government within the specified timelines. They must also furnish TDS certificates to the recipients.
9. **Impact on Investors:** TDS reduces the net dividend income received by investors and affects the overall returns from their investments.
10. **Tax Implications:** Recipients of dividends must include the gross amount of dividends in their income tax returns and claim credit for the TDS deducted while computing their tax liability.

These points provide a concise overview of TDS Section 194 concerning dividend payments.